

What is the UK Anti-Corruption Forum?

The Anti-Corruption Forum is an alliance of UK business associations, professional institutions, civil society organisations and companies with interests in the domestic and international infrastructure, construction and engineering sectors. The purpose of the Forum is to promote industry-led actions which can help to eliminate corruption. The members of the Forum believe that corruption can only be eliminated if governments, banks, business and professional associations, and companies working in these sectors co-operate in the development and implementation of effective anti-corruption actions.

UK ratifies the UN Convention against Corruption

On 14th February 2006, the UK ratified the UN Convention against Corruption. It was the 46th country to do so.

OECD Export Credit Group Anti-Bribery Action Statement

The OECD Export Credit anti-bribery working group issued in May 2006 its "Action Statement on Bribery and Officially Supported Export Credits". This requires all OECD export credit agencies to enhance their anti-corruption actions. Among the actions are requirements on export credit agencies to:

- encourage applicants for export credits to develop, apply and document appropriate anti-bribery management control systems;
- require applicants to provide undertakings that neither they, nor anyone acting on their behalf, has or will engage in bribery;
- verify whether applicants appear on an MDB debarment list, or are being investigated, or have been convicted, of bribery;
- require disclosure of agents and their commissions;
- obtain recourse from an applicant in the event of bribery.

ECGD's revised anti-bribery procedures

After a year of consultation, ECGD published in March 2006 its revised anti-bribery procedures. The procedures are in the view of many still below good practice, and not in compliance with the UK Government's stated aim of preventing corruption on export projects. The UK Parliament's Trade and Industry Select Committee is conducting a second enquiry into ECGD's procedures to ascertain whether they do achieve the stated aim of preventing corruption.

Multi-lateral Development Banks to co-ordinate anti-corruption policies

In February 2006, the African Development Bank, Asian Development Bank, Inter-American Development Bank, European Investment Bank, European Bank for Reconstruction and Development, the International Monetary Fund and the World Bank reached a consensus on the broad policies and practices necessary to address both internal and external problems of corruption.

These organisations agreed on the need to standardise their definition of corruption, to improve the consistency of their investigative rules

and procedures, to strengthen information sharing, and to ensure that compliance and enforcement actions taken by one institution are supported by all others. The leaders established a task force to report to them bi-monthly on progress made to develop a uniform Framework for Preventing and Combating Fraud and Corruption with the goal of concluding an agreement by the September Annual Meetings of the World Bank Group and the IMF.

These organisations also agreed to work together to develop concrete proposals to assist countries over the longer term in strengthening their capacity to combat corruption and to improve cooperation with civil society and other stakeholders and institutions such as the press and judiciary with the goal to enhance transparency and accountability.

The African Development Bank's commitment to anti-corruption efforts appears to be demonstrated by the following recruitment advertisement in the Economist (20th May 2006):

Director of Governance. "The director will be responsible for consolidating and building up the Bank's work in promoting good governance - focusing on transparency, accountability, and anti-corruption programs - in its regional member countries. He/She will also direct the Bank's work in support of economic, financial and sector reforms with a particular focus on improving the management of public finances and deepening the financial sectors in its regional member countries."

Construction Sector Transparency Initiative (COSTI)

Representatives of the Forum and TI attended a meeting in April 2006 at DFID at which the possible creation of the Construction Sector Transparency Initiative (COSTI) was discussed. DFID acknowledge that there are key differences between the construction and extractive sectors which require a different approach. However, they are keen to establish whether an equivalent initiative to EITI can be established in the construction sector.

This initiative may be included in DFID's Development White Paper which is planned for July. The Forum's Construction Transparency Working Group will continue to work with DFID in this regard.

UK corruption law case study: Guilty verdicts in Mars bribery case

Four people have been found guilty at Reading Crown Court in a case of bribery for service contracts between a Slough-based machinery maintenance firm and Mars, the confectionary company. All four convicted defendants have been given custodial sentences. The verdicts were delivered on 8 December but publication at that time was prohibited by order of the judge. That prohibition has now been rescinded.

The case outline is as follows; we give it here as an interesting case study of how corruption occurs close to home. Two defendants, Barry Simpson and Roger Harper, owned and ran Excel Engineering from the early 1980s. The firm is located on the Slough Trading Estate, opposite one of the Mars factories, and specialises in providing plant maintenance and emergency repair services to manufacturing companies in the area. Mars provided Excel Engineering with the bulk of its business. By 2001 its turnover was about £3 million and it employed around fifty people.

A third defendant, Tony Welcher, was a middle manager at Mars responsible for maintenance of production lines. He oversaw the provision of plant services by subcontractors, approved the award of contracts, monitored quality of service and authorised payments. It was important to Mars that production interruption was kept to a minimum. Repairs were sometimes needed urgently, with no time for competitive tendering. The company relied on the security of having long-term relationships with its suppliers and allowed its staff a high degree of autonomy in contract placement. Consequently Welcher was able to deal with Excel Engineering over a number of years without imposition of supervision or scrutiny. He abused the trust placed in him. Welcher and his wife Georgina purported to run a design consultancy business called GW Designs and claimed to have supplied computer aided design drawings to Excel Engineering and others. Georgina Welcher was also on the payroll of Excel Engineering as private secretary and chauffeur to Barry Simpson and Roger Harper. Tony Welcher's 88-year old mother was allegedly also employed by Excel Engineering - as a cleaner. However, none of the other members of staff at the firm were aware that both women were employees of the company and none ever saw either woman working at the premises.

In 2001 Excel Engineering was sold to new owners but thereafter the volume of business and income did not match past levels. It became apparent to the new owners that the company's success had been largely dependant on contracts from Mars in return for improper inducements. These bribes were usually in the form of regular cash payments, or in the form of gifts, to Tony Welcher and to others, including Georgina Welcher. Examples include electrical items, power tools, car hire, garden furniture and equipment, domestic boilers, cameras and car repairs/metalwork. The Welchers' home was fitted with a conservatory which was paid for in part by Excel Engineering. The cost of the conservatory was ultimately recouped by Excel Engineering by over-charging Mars.

Suspicions were reported by the new owners of Excel Engineering to Thames Valley Police and then referred to the SFO in summer 2002. Officers from the Thames Valley Police Economic Crime Unit worked in conjunction with the SFO investigation team. The investigation uncovered not only corrupt cash payments but also a system whereby invoices were presented to Mars at various times throughout the 1990s for work not done, or at inflated prices. Invoices from GW Designs were one of the methods used to extract money from Mars. The directors of Excel Engineering also used invoices from fictitious "ghost" companies to extract payment to cover the system of cash bribes. These were recorded separately from genuine works orders and allocated a "70,000" series number to distinguish them from invoices from real subcontractors.

The amount estimated to have been paid out by way of bribes to the Welchers and others is around £1 million, although the amount fraudulently extracted from Mars is thought to be much higher. Evidential searches were conducted on the defendants' homes in December 2002. Despite attempts by Barry Simpson and Roger Harper to erase records from Excel Engineering's computer systems, there was clear evidence to show the systematic and deliberate conspiracy to defraud Mars. Examination of Excel Engineering's computerised accounting system revealed the existence of specific codes for each Mars employee in receipt of bribes. These records were matched to paper records including the company's auditors' papers and the false subcontractor invoices.

All four of the defendants were convicted of conspiracy to corrupt, and three were convicted of conspiracy to defraud. They received jail sentences of between 15 months and 6.5 years.

Africa All Party Parliamentary Group

The Forum submitted to AAPPG the "Anti-Corruption Action Statement" as written evidence, and Graham Hand, Nelson Ogunshakin, Hamish Goldie-Scot and Neill Stansbury gave oral evidence to the AAPPG at Parliament. The only other business sector representatives to give evidence were from Business Action for Africa, whose anti-corruption message was consistent with that of the Forum.

The Africa All Party Parliamentary Group, after detailed consultation, issued in March 2006 its report "The Other Side of the Coin - The UK and Corruption in Africa". The Report's key recommendations are as follows:

- "Rigorously enforce existing laws and sanctions against international bribery, corruption and money laundering;
- Bring to Parliament before the end of 2006 a new Anti-Corruption Bill which addresses the concerns raised about the 2003 draft bill by the Joint Parliamentary Committee and the OECD Phase Two Review.
- Fully implement the Third EU Money Laundering Directive as soon as possible and well before the December 2007 deadline.
- Ensure that the Crown Dependencies and Overseas Territories deal with corruption and money laundering as robustly as the UK.
- Report to Parliament annually on international development spending with a particular focus on transparency, effectiveness and details of support for anti-corruption priorities and strategies.
- Appoint an Anti-Corruption champion for a two year period to coordinate policy coherence and implementation across Whitehall and to work with devolved executives, Crown Dependencies, Overseas Territories and international partners."

The AAPPG has over 150 MPs and Peers affiliated to it, and its recommendations are therefore likely to be taken seriously. It has committed to follow up its recommendations in both the Lords and Commons.

DFID Consultation "Eliminating World Poverty".

DFID is currently undertaking a Consultation "Eliminating World Poverty". In April 2006, the Forum made a submission in the consultation. The Forum's submission contained the following three recommendations, and attached the "Anti-Corruption Action Statement".

- Recommendation 1: The UK Anti-Corruption Forum believes that DFID could endorse and promote the implementation of the

actions contained in the Forum's Anti-Corruption Action Statement.

- Recommendation 2: Effective anti-corruption actions can successfully be developed and promoted by alliances between industry, civil society and government. The UK Anti-Corruption Forum would welcome the opportunity to co-operate with DFID in promoting and supporting the establishment of anti-corruption forums in the infrastructure sector in developing countries.
- Recommendation 3: Greater transparency on infrastructure projects reduces the opportunity for corruption, and makes it easier for the public and for project participants to identify and report corruption. DFID could promote greater transparency. The UK Anti-Corruption Forum would welcome the opportunity to co-operate with DFID in promoting and supporting procedures which result in greater transparency.

International Development Committee

The International Development Committee is a UK all-party parliamentary committee. It is examining the contribution of private sector development to international development. One of the many aspects it is examining is what are the constraints on the private sector in developing countries. The Forum made a written submission to the IDC in February 2006 stating that in the view of the Forum, corruption is one of the greatest barriers to international development. The Forum submitted the "Anti-Corruption Action Statement" to the IDC, and offered to provide further information to the IDC if requested.

Major Projects Association

The Major Projects Association invited the Forum to give a presentation at its evening meeting on 26th April 2006. Bob McKittrick spoke on the problems and risks of corruption, Neill Stansbury on the law and liability, and Graham Hand on preventing corruption.

The Major Projects Association has invited Forum representatives to attend its seminar in June on the construction of the London Olympic facilities.

PCOAT:

Preventing Corruption in the Official Arms Trade

Transparency International (UK), on behalf of TI, is leading a major anti-corruption initiative in the defence sector, working both with international defence companies and with individual governments. This work is funded largely by the UK Government's Department for International Development and also by the Swedish Government. The TI (UK) team is a small group of senior professional people comprising expertise both in procurement and in military matters.

They list four main strands of their work:

- (1) We are working with industry to create an International Defence Industry Anti-Corruption Consortium. We hope this initiative will bring major contractors into an anti-corruption consortium dedicated to upholding high standards in bidding for international contracts.
- (2) We are conducting a series of visits and discussions in the UK and overseas with government officials, defence companies and civil society organisations to promote the application of "Defence Integrity Pacts". Integrity pacts are a Transparency International tool that has been used successfully by more than a

dozen governments to strengthen procurement against corruption.

- (3) We have seen that there is a need for knowledge and good practice in strengthening anti-corruption capability in defence ministries and governments. We are working with Defence Ministries and with supportive organisations to address this need.
- (4) We are working to raise awareness of the need for strong anti-corruption capabilities in defence and security arenas as a central component in strategies to aid economic development.

For more information see www.transparency.org.uk/pcoat.htm

Institute of Business Ethics

The Institute of Business Ethics (IBE) was established in 1986 to encourage high standards of business behaviour based on ethical values. Its vision is to lead the dissemination of knowledge and good practice in business ethics.

It raises public awareness of the importance of doing business ethically, and collaborates with other UK and international organisations with interests and expertise in business ethics. The IBE helps organisations to strengthen their ethics culture and encourage high standards of business behaviour based on ethical values. It assists in the development, implementation and embedding of effective and relevant ethics and corporate responsibility policies and programmes, and helps organisations to provide guidance to staff and build relationships of trust with their principal stakeholders.

This is achieved by:

- Offering practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics;
- Delivering training in business ethics for board members, staff and employees;
- Undertaking research and surveys into good practice and ethical business conduct;
- Publishing practical reports to help identify solutions to business dilemmas;
- Providing a neutral forum for debating current issues and meetings to facilitate the sharing of good practice;
- Supporting business education in the delivery of business ethics in the curriculum; and
- Offering the media and others informed opinion on current issues and good practice. Please contact us if you would like assistance.

IBE's team applies the members' practical business experience of the issues that organisations face to fulfil the Institute's vision and mission. The IBE is a charity based in London, and its work is supported by corporate and individual subscribers.

Of particular interest to Forum members might be a one-day course that the IBE will hold in London on 29th June 2006, on "Globalising Your Ethics and Compliance Programme". One session of this course is entitled "Dealing with Corruption and Bribery: An Interview with 'Senor X'". 'Senor X', a former official at a key ministry in a Latin American country, will provide a view of corruption and offer strategies to navigate successfully through these issues.

For more information see: www.ibe.org.uk

Infrastructure anti-corruption forums

The Forum, working in alliance with TI, is promoting the development of anti-corruption forums similar to the UK Forum in other countries.

National Forums

These national forums would be alliances between business associations representing construction and engineering companies, professional institutions representing individual professionals in the sector, construction and engineering companies, and civil society.

The UK Anti-Corruption Forum was the first to be established. The UK Anti-Corruption Forum is committed, resources permitting, to promote the establishment of these forums by encouraging business and professional associations in those countries to join the forums, and to co-operate with the forums once established.

Global Forum

The global forum would be an alliance between international and regional construction and engineering associations and civil society.

The aim of the global forum would be similar to that of the national forums, except that it would co-operate with international and regional bodies such as the World Bank, UN, EU, OECD etc. It would also co-operate and exchange ideas with national forums.

The UK Anti-Corruption Forum is committed, resources permitting, to promote the establishment of the Global Forum.

Proposed International Centre for Transparency in Construction

In response to interest from developing countries, the group of volunteers in Scotland preparing the groundwork for the establishment of an International Centre for Transparency in Construction have added a facility for those closely associated with corruption to provide, with anonymity, structured feedback on their experiences. The non-attributable survey facility can be found on the internet during the month of June.

For more information see: www.ethicaledinburgh.org

Forum working groups

The Forum has formed the following working groups, each of which comprises a small number of Forum volunteers who are tasked with driving forward the Forum's agenda in the relevant area.

(a) Debarment Working Group

This Forum group will work with OGC, the EU Commission and multilateral development banks to try to ensure that the debarment procedures implemented under the EU Public Procurement Directives, the EU Commission regulations and MDB regulations operate transparently, fairly and reasonably, and take proper account of mitigatory circumstances.

(b) Developing Countries Working Group

This Forum group will work to promote the creation in developing countries of anti-corruption forums similar to the UK Anti-Corruption Forum. The Forum would co-operate with these forums in exchanging ideas and information, and developing best practice. In this regard the Forum is co-operating with TI and DFID.

(c) Overseas Support Working Group

This Forum group will work with FCO to examine ways in which UK embassies can provide greater support and advice to UK companies and individuals working overseas who may be faced with corruption

issues. It will also investigate the possibility of publishing anti-corruption guidance for companies working overseas.

(d) Transparency and Reporting Working Group

This Forum group will promote greater transparency in the sector. It will work with DFID to examine whether DFID's proposed "Construction Sector Transparency Initiative" is workable, and, if so, how the Forum can co-operate with DFID in its implementation. It will also examine ways in which increased reporting can help prevent corruption, paying particular attention to the methods and results of such reporting, and to confidentiality and safety concerns.

(e) Multi-lateral Bank Working Group

This Forum group will examine ways in which improved MDB procedures can help reduce corruption. It will also examine ways in which MDBs could provide greater assistance to contractors and consulting engineers on MDB funded projects who are faced with extortion demands, or who have difficulty in receiving permits, certificates and payments.

(f) Professional Standards Working Group

This Forum group will examine ways in which improved training, professional standards and professional institution disciplinary mechanisms may help reduce corruption.

(g) Newsletter Working Group

This Forum group will write and publish the Forum quarterly newsletter.

(h) Web-site Working Group

This Forum group will prepare and manage the Forum web-site.

Co-operation between the Forum and the UK Government

Representatives from the Forum met representatives from FCO, DFID, SFO and ECGD in March 2006 at Lancaster House. The purpose of the meeting was an open exchange of views and ideas with the intent of improving anti-corruption mechanisms. The Forum and Government agreed to co-operate in relation to:

- debarment (Forum and OGC)
- Construction Sector Transparency Initiative (Forum and DFID)
- Assistance from foreign embassies (Forum and FCO).
- Promotion of anti-corruption forums in Africa (Forum and DFID).

Joining the Anti-Corruption Forum

For information on how to join the Forum, contact Neill Stansbury, Forum Co-ordinator, at neill.stansbury@transparency.org.uk

Information on the Anti-Corruption Forum

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